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INFO RUCNIA/IGAD COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 KHARTOUM 001773

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E.O. 12958: DECL: 07/24/2016

TAGS: EFIN ECON PGOV EBUD PREL FAID IBRD SU

SUBJECT: WORLD BANK AND GOSS AT LOGGERHEADS OVER JUBA ROADS  
AND HOUSING CONTRACTS

REF: KHARTOUM 1624

Classified By: P/E Chief Eric Whitaker for Reason: Section 1.4 (b) and (d).

**¶11. (C) Summary:** Since canceling two roads contracts over transparency and accountability issues (reftel), the World Bank (IBRD) has received both public and private criticism from officials from the Government of Southern Sudan (GoSS). The IBRD/MDTF officials in Juba have started a campaign to correct misinformation regarding the Bank. After a quote successful unquote meeting with SPLM Secretary General Pagan Amum earlier in the month, an IBRD/MDTF official detailed a difficult July 19 meeting with Government of Southern Sudan (GoSS) Vice President Riek Machar. According to the Bank/MDTF official, the GoSS has now decided to go ahead unilaterally with contracting projects that lack transparency and proper accounting, a process which may have already consumed most of the GoSS budget for 2006 and 2007. This comes at the same time as an internal IBRD report evaluating Multi-Donor Trust Funds (MDTF) worldwide, which cites the Southern Sudanese MDTF as suffering from a lack of donor support, an absentee IBRD management, and a donor government with a lack of capacity and possible corruption. End summary.

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An Easy Target  
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**¶12. (C)** During the past few months, the Bank has become an easy GoSS scapegoat for the slow pace of infrastructure development in Southern Sudan. Many government officials have claimed that the MDTF is too bureaucratic and that the GoSS would never figure out how to expend MDTF funds. An MDTF official said that he has had meetings with officials from the Ministry of Transport and Roads and the Ministry of Housing, Public Utilities and Urban Development explaining the process of following basic tendering processes and hiring a procurement specialist, who has been identified, to oversee the contracts. The official suspects that these ministries are hesitant to do this due to corruption, and points out that there has been no problem with the Ministries of Health and Education, which has already started implementing MDTF projects. At one point, the Bank official referred to an internal USAID memorandum that he claimed to have seen that cited evidence of misconduct in the area of infrastructure.

**¶13. (C)** At the same time, the World Bank has hired a contractor to perform a preliminary audit of all the MDTFs worldwide. A draft of the report describes a series of problems from all directions. It says that the donor countries to the MDTF have refused to politically defend the fund from the GoSS, and that there is a lack of differentiation between the MDTF and the World Bank, which manages the fund. It also describes problems and miscommunications created by a World Bank management staff that is far from Juba and does not have the personal

relationships or understanding of local conditions to manage the money effectively. On the government side, it cites problems with the nascent government's absorptive capacity and possible corrupt forces resistant to proper controls. Finally, it refers to an INGO contractor as poisoning the waters for the MDTF and working to exclude other INGOs from working with the Ministry of Finance. The Bank official said this INGO was BearingPoint, but explained that the problem was not with BearingPoint overall, but just the top two people who were not working with others and who were a barrier to international assistance from other groups.

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A Harsh Meeting  
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¶4. (C) To address the concerns of the report and counter what he believed was a misinformation campaign from within the infrastructure ministries, the MDTF official has started meeting with GoSS representatives. The official first met with SPLM Secretary General Pagan Amum, a meeting he described a successful and most likely ensuring the future of the Bank in Southern Sudan.

¶5. (C) However, the Bank official told the CG that a July 19 meeting between the World Bank Country Director and his delegation and Vice President Machar, who is also Minister of Housing, Public Utilities and Urban Development, was harsh, with Machar accusing the Bank of blocking disbursement of Multi-Donor Trust Fund (MDTF) resources, thereby preventing the GoSS from delivering basic services to Southern Sudan. The official said that Machar ended the meeting by declaring that the Bank had made up its mind and was not interested in seeking common ground.

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The Tip of the Iceberg?  
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¶6. (C) The Bank official said that the unilateral GoSS signature of the two projects was by no means unique. There were credible reports that many ministries had already signed contracts committing their resources to a range of projects. He said there are no contracting guidelines, and that any minister could commit GoSS funds up to the limit of his or her budget line with no accountability. At issue was how much money had been committed and how well this had been coordinated. The Bank official said that he had received credible reports from GoSS officials that some ministries had signed so many contracts that the GoSS budgets for 2006 and 2007 had already been committed to projects centered on Juba.

If the reports were correct, there would be little if any money to transfer to the ten states.

¶7. (C) The Bank official said that, for now, it is impossible to ascertain what has been committed by various parts of the GoSS, and how this correlates to available resources and the need to hold in reserve funds for salaries and other recurring expenses. Bank attempts to discuss with an Under Secretary of the Ministry of Finance how the GoSS tracks

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spending against available resources met with rebuff. The Under Secretary told the Bank team "to keep your noses out of GoSS affairs."

STEINFELD